PROPOSED STORM DRAINAGE AND FLOOD PROTECTION FEE

CITY COUNCIL MEETING

March 23, 2021

Jovan Grogan, City Manager

Jimmy Tan, Public Works Director

Objective

- Hold Public Hearing to Consider Protests Regarding the Storm Drainage and Flood Protection Fee and Continue Public Hearing until April 6, 2021 to Conclude the Required 45 Notice Period For All

Agenda

I. Overview of San Bruno's Water Utilities

II. Discuss Stormwater Funding & Financial Challenges

III. Review Stormwater Infrastructure, Current Projects and Unfunded Capital Improvement Project

IV. Review Prop 218 Property Assessment & Public Outreach Process

V. Council Questions, Public Comment, and Council Deliberations

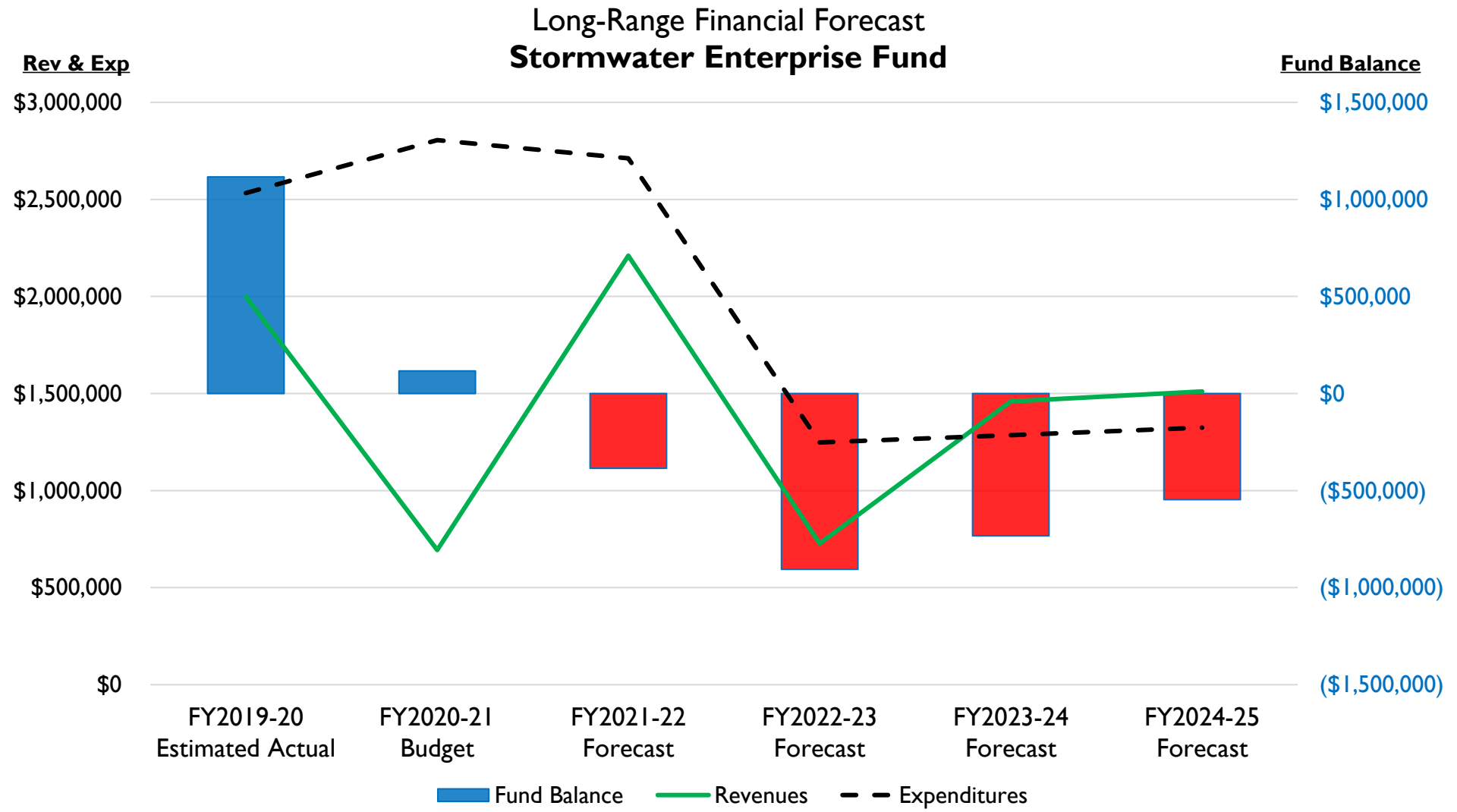
San Bruno's Three Water Utilities

- **Potable/Drinking System** (aka "water system")
  - A network of pipes that delivers clean water to every home and business within our City.

- **Sewer System** (aka "wastewater system")
  - A network of pipes that collects brown/used water and conveys it to our Water Quality Control Plant for treatment prior to discharging into the San Francisco Bay.

- **Stormwater System**
  - A network of pipes that collects rainwater runoff and conveys it to the creek prior to draining into the San Francisco Bay.

Adopted Stormwater Long Range Financial Plan



Source: City of San Bruno, City Manager's Proposed Budget FY2020-21

Current Funding is Inadequate…

- Current Fee hasn't been increased since 1994
- System has aged and cost to meet infrastructure needs have increased
- General Fund has backfilled with subsidies, but increasing pressures on the GF make this more difficult

Current Stormwater Fee

Property Use	
Miscellaneous/Agriculture/Vacant/Condominium	
Minimum Per APN	$23.08
$ Per 1,000 Square Feet, Lot Size	$2.0982
All Other	
Minimum Per APN	$46.16
$ Per 1,000 Square Feet, Lot Size	$4.1964

Average property parcel under 11,000 sq. feet pays $46.16 per year

Risk to City Programs and General Fund

- The City's General Fund or Reserves must cover unmet or emergency needs of the Stormwater Utility
  - *Thereby reducing available money for other programs and services*
  - *Nearly $1.5M in General Fund money spent this fiscal year on Stormwater projects*

Notable Stormwater System Challenges

- Stormwater pipe failure and landslide in Crestmoor Canyon in December 2019 (required declaration of a local emergency to expend $1M to stabilize a portion of San Bruno Avenue);
- Discovery of a broken drain culvert near Crystal Springs Avenue in January 2020 (estimated to cost $450,000 to repair);
- Undersized storm drainpipes on Spyglass Drive (an unfunded $1.5M project); and,
- Long history of flooding during heavy rain events in the Downtown and other low laying neighborhoods.

Recently reduced to $400K due to receipt of grant award from FEMA

Achieving Sustainability in Stormwater

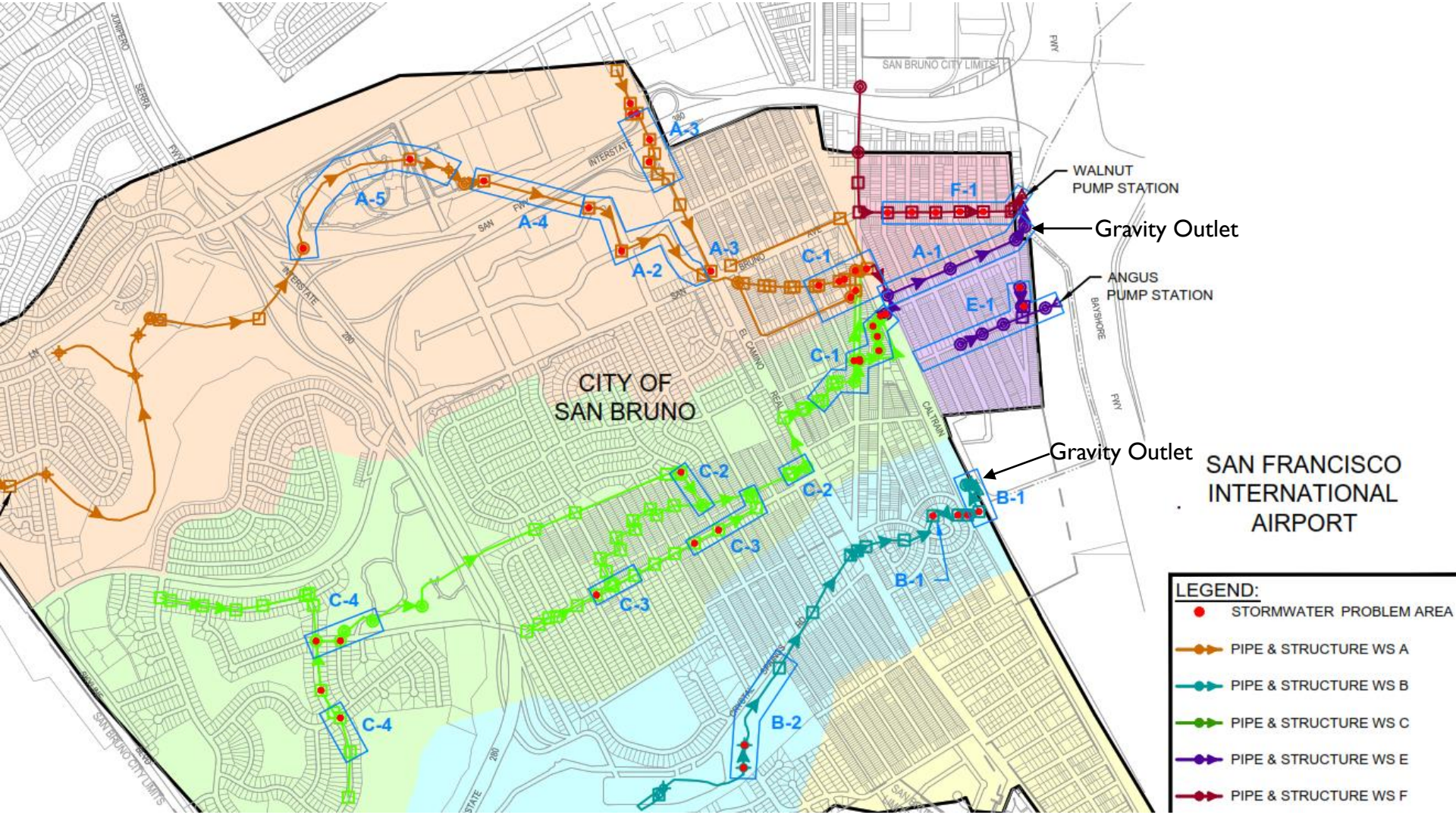
- Part of the City's Comprehensive Fiscal Sustainability Project
- Critically important to our overall fiscal health as a service provider
- Stormwater Fee Study Launched in September 2020
- Proposed Prop 218 Mail Ballot Proceeding in March-May 2021

Review Stormwater Infrastructure, Current Projects and Unfunded Capital Improvement Project

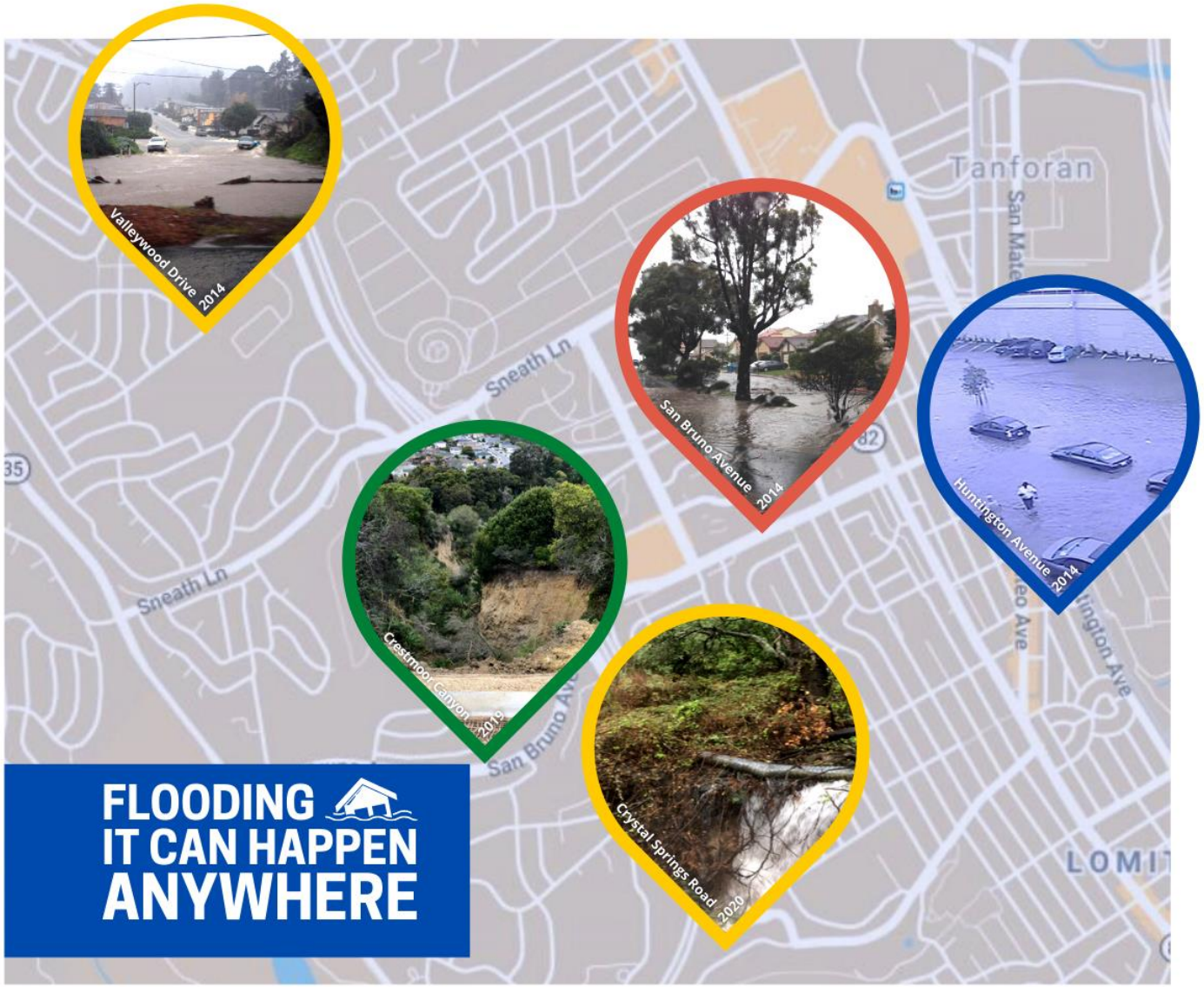
Stormwater System Infrastructure Overview

- Storm system originally installed in 1900s
- Consists of drain inlets, underground pipelines and box culverts
- System flows from West to East toward San Bruno Channel
- Pump stations: 2
  - Built in 1960s
  - Owned, operated and maintained by County of San Mateo
- 2014 Storm Water Master Plan
  - Total Improvements Cost: $26+ million (2014 estimate)

Storm System Problem Areas



Sampling of Recent Flooding Events in City



2014 Flooding in City


Crestwood Dr.


San Bruno Ave.

2014 Flooding in City

2014 Flooding in City

Valleywood Dr.

El Camino Real

Stormwater Projects, *completed*

- Completed Storm Improvement Project Cost since 2014 Stormwater Master Plan
  - Crestmoor Canyon Slope Stability Project (2020): **$1,020,290**
  - Crystal Springs Road Storm Drain (2020): **$450,000**
  - Masson Box Culvert Replacement Project (2017): **$919,800**
  - Miscellaneous storm drain spot repair (2017 and 2019): **$802,000**

Crestmoor Canyon Slope Stability

Crystal Springs Road Storm Drain

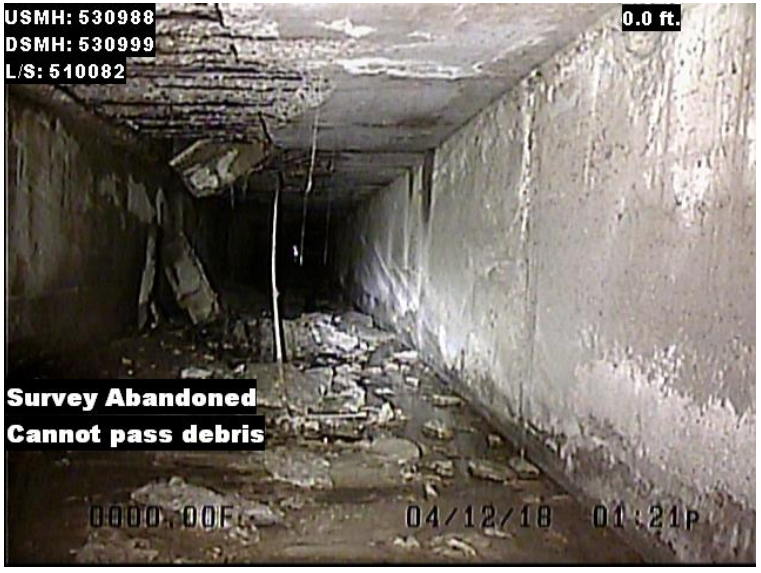
Masson Box Culvert Replacement Project

Stormwater Projects, *future/unfunded*

- Future Storm Improvement Project Cost
  - Spyglass Storm Drain Improvements Project: **$1.5 million**
  - Stormwater Master Plan Recommended Capacity Improvements: **$30+ million***
  - Stormwater Condition Improvements: **Estimated $22.9 million**
  - Municipal Regional Permit Requirements: **Unknown**

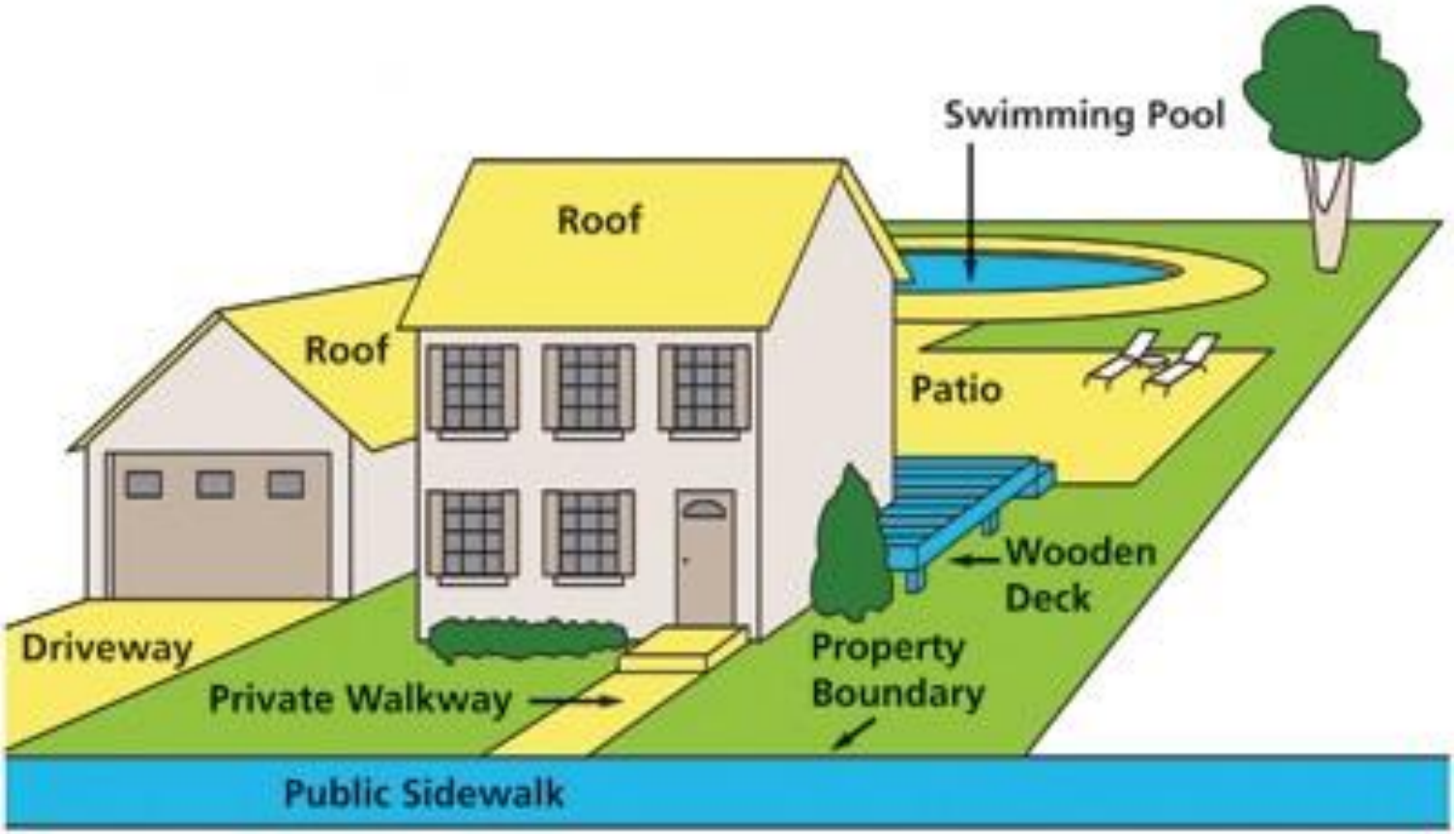
** Was approx. $26M in 2014 Stormwater Master Plan*

Storm Drain System Condition



Stormwater Fee Study

Impervious vs. Pervious



2014 Stormwater Master Plan

Estimated Capital Improvement Project Costs

Project ID	Cost (2014$)	Cost (2020$)
A-1	$5,070,000	$5,958,771
A-2	$2,670,000	$3,138,051
A-3	$820,000	$963,746
A-4	$2,720,000	$3,196,816
A-5	$4,670,000	$5,488,651
B-1	$1,090,000	$1,281,077
B-2	$90,000	$105,777
C-1	$150,000	$176,295
C-2	$2,240,000	$2,632,672
C-3	$1,410,000	$1,657,173
C-4	$1,380,000	$1,621,914
D	$220,000	$258,566
E	$1,960,000	$2,303,588
F	$1,890,000	$2,221,317
Total	$26,380,000	$31,004,414

Fee Study Recommendation

Median Fee by Zoning Category

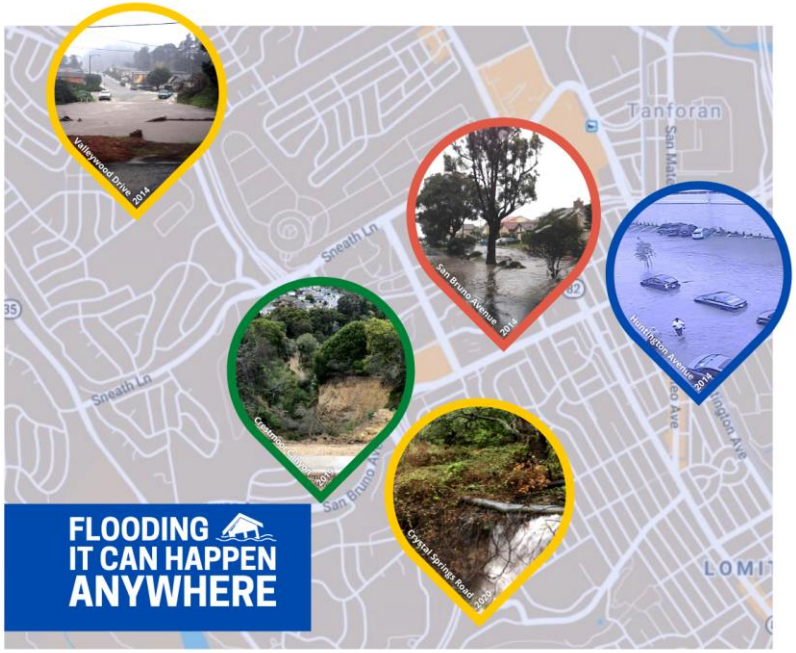
Code	Zoning Designation	No. Parcels	Median Fee
A-R	Administrative and Research	12	$476.25
C	General Commercial	219	$272.26
C-B-D	Central Business District	111	$178.66
C-M	Commercial Manufacturing	11	$397.31
C-N	Neighborhood Commercial	75	$169.17
C-O	Community Office	6	$2,508.30
M-1	Industrial	135	$236.96
O	Open Space	59	$476.65
P-D	Planned Development	1,455	$54.91
R-1	Single-Family Residential	8,755	$154.31
R-2	Low Density Residential	1,052	$171.92
R-3	Medium Density Residential	38	$208.16
R-4	High Density Residential	988	$52.76
U	Undesignated	18	$1,242.54
Total		12,934	$149.66

R-1 median in proposed model is $154 vs $46 in current, an increase of 234%

Public Outreach, Community Feedback, Public Hearing, Protest and Proposition 218 Process

Public Outreach

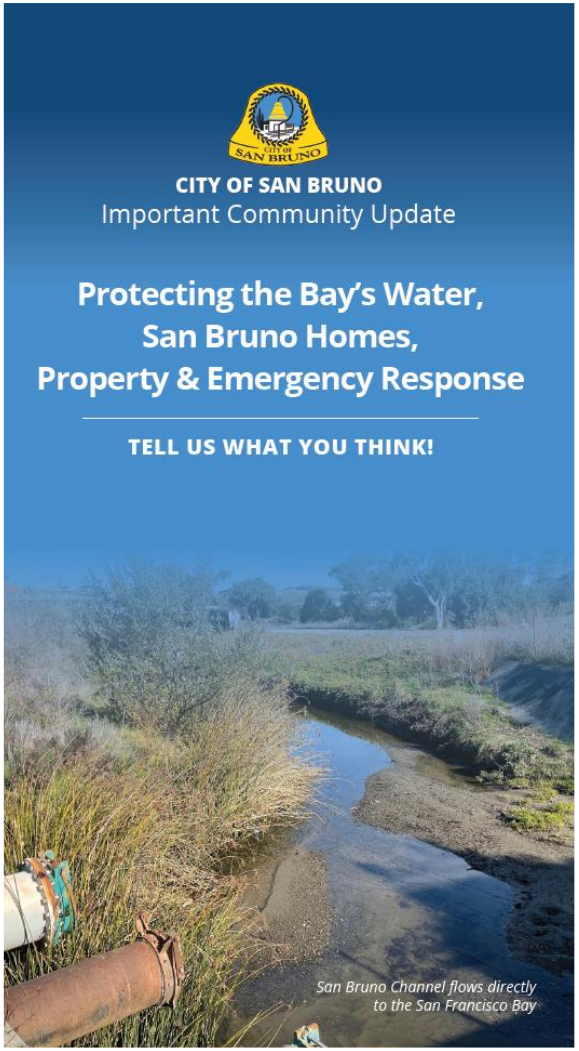
- Robust public outreach planned
  - Public survey
  - Informational insert in utility bills
  - Dedicated mailings to local properties
  - Letters to out-of-town property owners
  - City Manager eNewsletter article
  - Community presentations
  - Dedicated webpage
- Public Outreach Performed
  - December – March 2021



Community Feedback

Over 400 residents and property owners have provided their feedback for addressing the stormwater system. Priorities we have heard from the community so far include:

- ✓ Repairing deteriorating pipes and infrastructure to prevent system failure, landslides, and sinkholes
- ✓ Reducing pollutants flowing into the Bay and protecting the water quality of San Bruno Channel and local reservoirs
- ✓ Reducing the risk of flooding and costly repairs to local businesses and homes
- ✓ Preventing flooding that obstructs residents, police, and emergency response



Public Hearing Notice and Protest Received

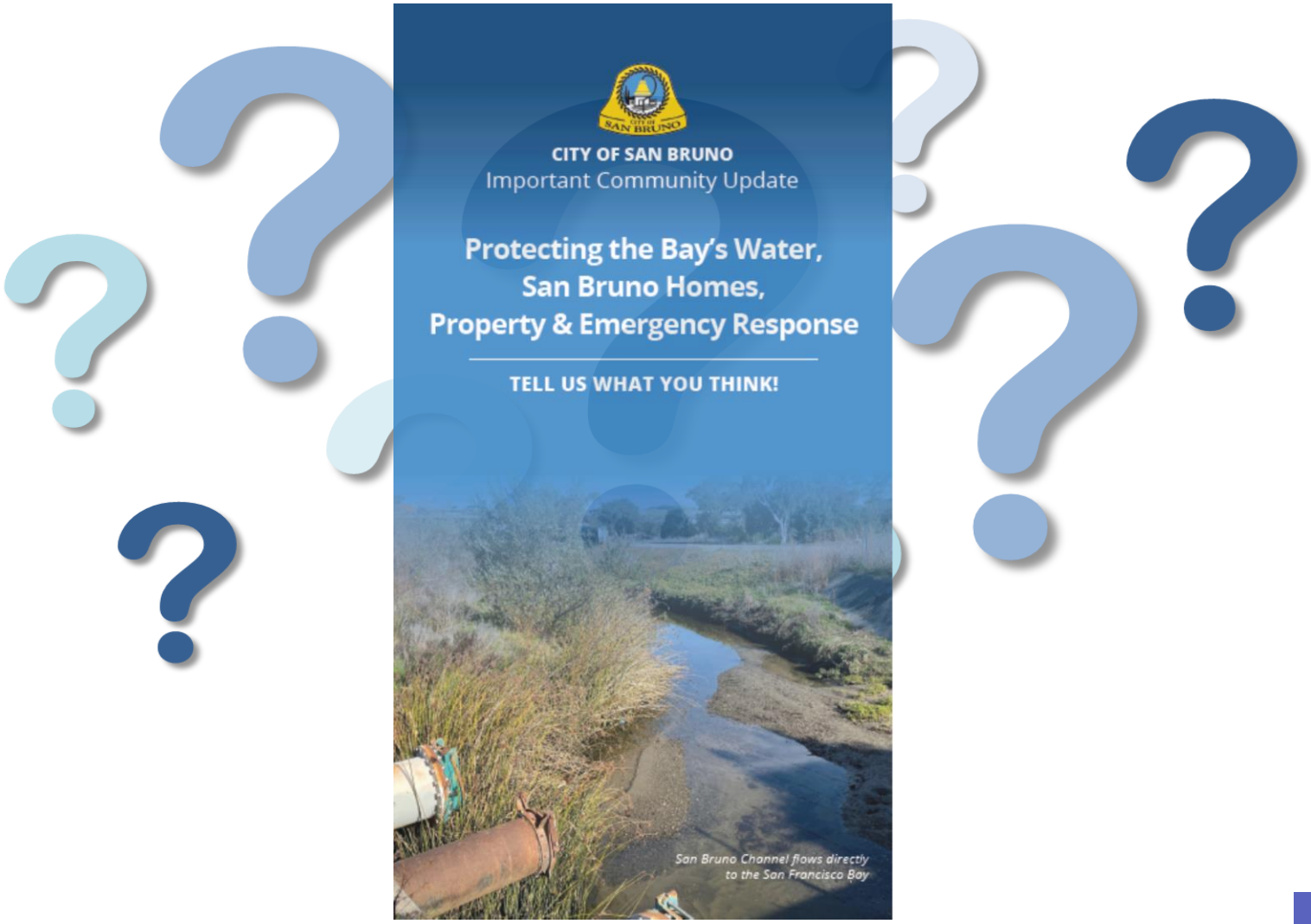
- Property owners received Public Hearing notice in February of the proposed rate change and stormwater system needs to be addressed
- As of March 16, 2021, the City Clerk's Office has received 181 protest letters from property owners in San Bruno

Proposition 218 Process

- City Clerk Conducts the Election
- Two Property Owner Ballot Processes
- Public Hearing to Receive Protests
- July 31 Deadline to Transmit Stormwater Assessment to County

Dates	Action Item
1/12/2021	City Council adopts Resolution of Intention
COMPLETED	First round of Prop 218 notices are sent to property owners.
COMPLETED	Mail revised notices to property owners who were omitted from initial mailing
3/23/2021	Hold public protest hearing, hear testimony and continue hearing to hearing to April 13.
4/6/2021	Hold continued public protest hearing and hear testimony. If there is not a majority protest, Council can adopt resolution calling election and establishing election rules.
No Later Than 5/1/21	Mail ballot packets
6/15/2021	Final Day to receive ballots (Election Closed)
6/16/21-6/18/21	City Clerk tabulates ballots at announced time and place
6/22/2021	City Council adopts a Resoiution stating the results of the election, imposing the fees, and electing to collect the fees on the tax roll (requires approval of four concilmembers)
Prior to First Publication/Mailing of Notice of Public Hearing on Annual Report	H&S 5473 Annual Report (fee roll) for 21/22 filed with City Clerk.
No Later Than 6/29/2021	First publication of Notice of Annual Report Public Hearing (H&S 5473.1)
No Later Than 6/29/2021	Postcard Notice mailed to owners of property affected as shown on last equalized assessment roll from county. (H&S 5473.1)
At Least 5 days after first publication	Second publication of Notice of Annual Report Public Hearing (H&S 5473.1)
7/13/2021	City Council Holds Public Hearing on Annual Report (fee roll) (H&S 5473.2) and adopts resolution determining 21/22 charges (H&S 5473.3). This requires a majority vote of the Council.
7/31/2021	Hard Deadline for Annual NPDES calculation and Stormwater Fee to County

Questions and Discussion



End of Presentation

MIKE MEDVE
SENIOR PROJECT MANAGER

JANUARY 12, 2021

Presentation of the Fee Study Report for the City of San Bruno Storm Drainage and Flood Protection Fee

Scope of Study

- Review information regarding existing fee structure, expenditure needs for stormwater construction and maintenance, property data, and build property database
- Determine amount of funding needed to address City goals for stormwater system, based on 2014 Master Plan
- Develop approach and methodology for a property-related fee that would generate needed funds
- Prepare report, Proposition 218 Notice, assist City with Public Hearing, ballot process and tabulate ballots

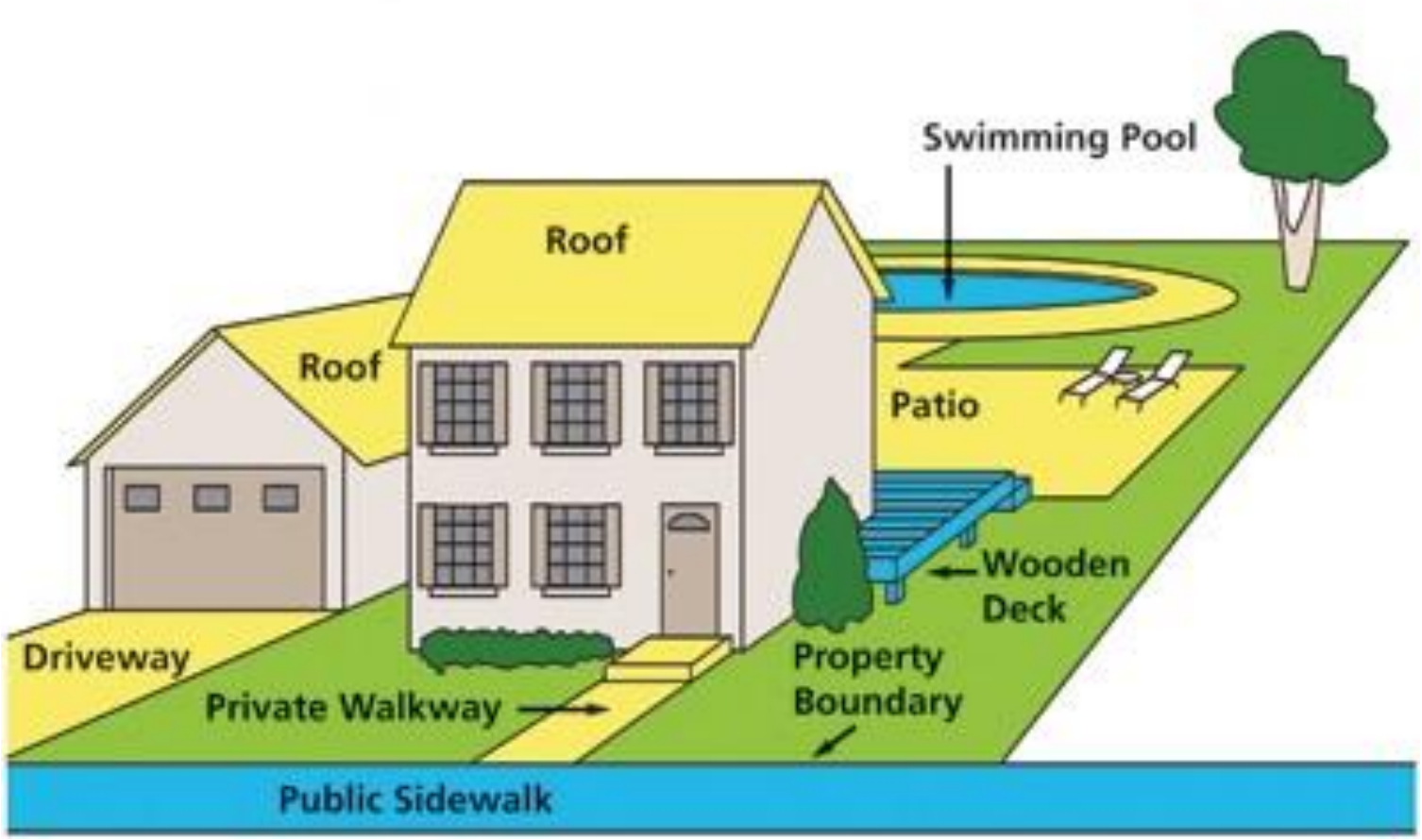
Recommended Fee Model

- Current fee: per lot based on total lot square footage
- Proposed fee: per lot based on impervious square footage of lot
- Developed properties drain to storm drain system, and there is a recognized relationship between impervious area for each parcel and stormwater runoff generated
- Impervious area generally includes concrete, pavement, concrete pavers, patios, driveways, playing surfaces (tennis or basketball courts), pools, pool decks, roof tops, sheds, carports, etc.
- The amount of impervious surface for a parcel, as a percentage of the total impervious surface throughout the City, is used to estimate the percentage of storm drain system costs attributable to each parcel

Recommended Fee Model

- Proposed fees are proportional to each parcel's "fair share" of annual costs of the improvement, renovation, maintenance and operation of the storm drain system
- Benefits of impervious over lot size square foot model
  - Fee amounts are fair and represent each parcels proportionate share of total costs
  - Recognized approach in EPA guide for Municipal Stormwater Funding
  - Studies have demonstrated that impervious surface area on a property is the most significant factor influencing stormwater runoff
  - Impervious area is relatively easy to identify and quantify numerically, and is the most common parameter used in stormwater fee calculations

Impervious vs. Pervious



Fee Calculation Methodology

- Determine annual budget for replacement, new construction and annual maintenance
- Determine total impervious square footage area for all properties within City
  - Measure percent impervious for sample properties from each zoning classification
  - Identify atypical properties as exceptions and measure impervious factor individually
- Calculate a fee rate per square foot impervious for all property in City by dividing total annual budget by total City impervious square footage

2014 Stormwater Master Plan

WILLDAN

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Detail on Change in Residential Fees

WILLDAN

Median Stormwater Fee change for Single Family Residences (R-1) goes from

- $46 per year to $154 per year

Approx. $9/month increase

Projected Annual Revenue

- San Bruno Stormwater Revenue
  - Under current fee model: $579,871 annually
  - Under proposed fee model: $3.2M annually
  - A revenue increase of 452% *(needed to cover projected costs)*
  - Revenue from Commercial/Industrial properties increase by twice as much revenue from Single Family Homes (R-1)
  - No minimum fee means larger properties bear larger share of increase
  - Impervious surface rate means industrial and commercial pay fair share

Financing Assumptions

WILLDAN

How can the City finance critical Stormwater capital improvements under the proposed fee model?

- Three bond issuances totaling net proceeds of $44 million nominal ($36 million present value)
- $1,362,000 annual maintenance expenditures
- 85% of facilities funded in first 10 years
- 100% of facilities funded in first 30 years
- After facilities completed, fee levied at level necessary to maintain level of service
- Unused revenues used for facility construction on a pay-go basis

Study Recommendations

- Establish Storm Drainage and Flood Control fee of $0.0498859 per impervious square foot to fund capital replacement, capital improvements and ongoing maintenance
- Levy fee annually as part of property tax bill
- Use proceeds to repay debt on special obligation bonds, pay directly for construction of improvements, and fund ongoing maintenance, operations and servicing of storm drain facilities

Staff Recommendation

- Adopt a Resolution Initiating Proceedings to Establish a Revised Storm Drainage and Flood Protection Fee *(as per Fee Study Recommendations)*
  - $0.0498859 per impervious square foot
  - Levy fee annually as part of property tax bill

- Final Council action on the Storm Drainage and Flood Protection Fee not needed until **March 23, 2021**

Alternatives

1. Do not initiate a Stormwater System fee increase process
   (will likely result in continued system failures and subsidies by the General Fund)
2. Approve the initiation of the fee process, but consider deferring already approved rate increases for the Water and Wastewater Utilities for 1-2 years to offset this increased fee.
   - 5-year schedule of 5% annual rate increases approved for Water and Wastewater utilities
   - 20% rate increases in each utility since FY 2017-18
   - Upcoming FY2021-22 Water and Wastewater rate increases equates to roughly $9.31/month (similar to median increase for R-1 properties under the proposed Storm Drainage and Flood Control Fee)
3. Provide direction to staff for other changes.

Financing Plan for Capital Improvements

- Use debt financing to advance needed capital projects quickly
- Three bond sales in 2022, 2027, and 2032
- Funding will allow for completion of Master Plan and System Upgrades within 10-15 years
- After final bond sale in 2032, system will be new
- Future / on-going capital repairs can be achieved within annual operating budget (pay-as-you go)
- As Debt Service is paid off over 30 years, fees will decrease, absent large new environmental mandates not foreseen

Staff Recommendation

- Adopt a Resolution Initiating Proceedings to Establish a Revised Storm Drainage and Flood Protection Fee *(as per Fee Study Recommendations)*
  - $0.0498859 per impervious square foot
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Suggested Addition to Resolution

- Add a new "**Section 4**", after Section 3 and renumber subsequent sections

New Language:

"4. If the proposed fee is approved, proceeds of the fee will be available to the City only to:

(i) construct storm drainage system improvements that provide improved flood protection, are necessary or useful for compliance with regulatory requirements and/or replace existing elements of the storm drainage system;

(ii) maintain, service, repair, and operate the storm drainage system and periodically replace or upgrade elements thereof;

(iii) finance associated capital costs (including debt service and incidental and administrative costs associated with financing); and

(iv) fund administrative costs of the fee and of the storm drainage system and improvements."

Objective

- Hold Public Hearing to Consider Protests Regarding the Storm Drainage and Flood Protection Fee and Continue Public Hearing until April 6, 2021 to Conclude the Required 45 Notice Period For All
- Properties~~Present results of Fee Study to provide additional ongoing financial support for San Bruno's Stormwater System~~
- Present the Recommended *Storm Drainage and Flood Protection Fee*
- Explain the Prop 218 Property Assessment Process / Schedule
- ~~Council deliberations and action on authorizing the~~ initial ~~proceedings to establish a revised Storm Drainage and Flood Protection Fee~~

Agenda

I. Overview of San Bruno's Water Utilities

II. Discuss Stormwater Funding & Financial Challenges

III. Review Stormwater Infrastructure, Current Projects and Unfunded Capital Improvement Project

~~IV. Presentation of Fee Study Report~~ *~~(completed by Willdan Financial Services)~~*

~~V. Staff Recommendation~~

VI. Review Prop 218 Property Assessment & Public Outreach Process

VII. Council Questions, Public Comment, Council Deliberations and Direction

Current Revenues do not cover operating costs, let alone capital improvements…

Stormwater Enterprise					
	2017-18 Actual	2018-19 Actual	2019-20 Actual	2020-21 Est.	Total, 4 years:
Beginning Fund Balance, July 1	**$ 3,319,799**	**$ 1,819,627**	**$ 1,650,807**	**$ 1,045,523**	
Total Revenues	669,927	678,692	669,639	693,000	
Stormwater Operating Budget Expenditures	749,000	1,334,804	965,782	1,154,255	
Net Operating Deficit Before Transfers and Capital Improvements	**(79,073)**	**(656,111)**	**(296,143)**	**(461,255)**	**(1,492,582)**
Plus Expected Capital Grants				1,112,654	
Less Capital Improvements and Equipment	(1,150,230)	(282,708)	(1,578,844)	(1,332,948)	
Net Transfers From/(To) General Fund	**(600,500)**	**770,000**	**1,269,703**	**(317,851)**	**1,121,352**
Transfer In from Other Funds	329,630			-	329,630
Change in Fund Balance	(1,500,172)	(168,820)	(605,284)	(999,400)	**(3,273,676)**
Ending Fund Balance, June 30	**$ 1,819,627**	**$ 1,650,807**	**$ 1,045,523**	**$ 46,123**	

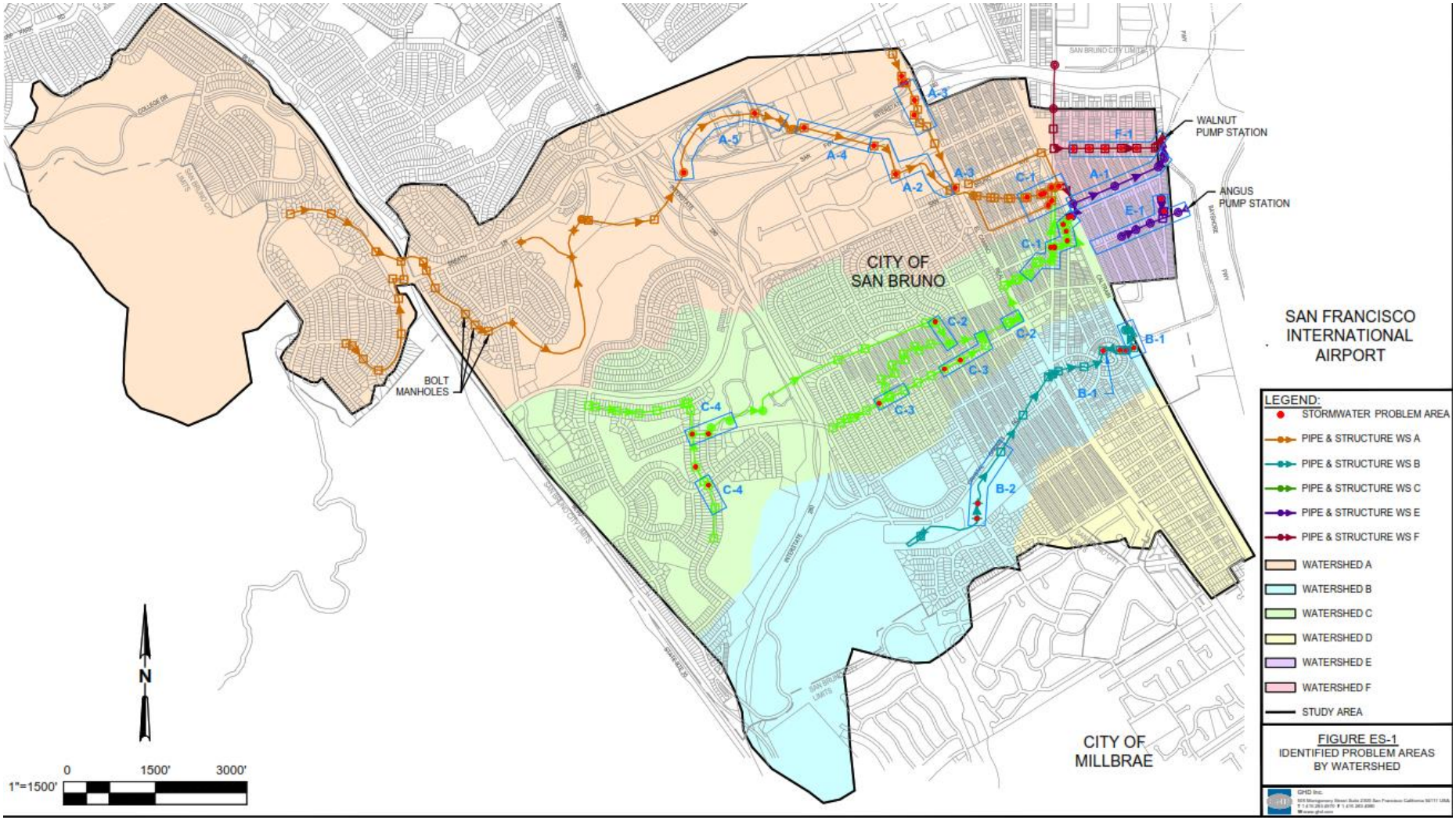
- Fund Balance is declining, and will continue to require General Fund subsidies without a fee increase

Storm Water Master Plan

- Completed in 2014
- Stormwater System: Six watersheds (A thru F)
- Performed hydraulic analysis/modeling to determine system capacity on large infrastructure
- Identified problem areas in the system
- Provided improvement recommendations

Note: *Condition assessment was not performed for stormwater system*

Storm System Watershed



Purpose of Stormwater Fee

- Construct storm drainage system improvements that will provide improved flood protection, are necessary or useful for compliance with regulatory requirements and/or replace existing elements of the storm drainage system;
- Maintain, service, repair, and operate the storm drainage system and periodically replace or upgrade system elements
- Finance associated capital costs (including debt service and incidental and administrative costs associated with financing)
- Fund administrative costs of the fee and of the storm drainage system and improvements.
- Fee proceeds could only be used by the City for these purposes.